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Supreme Court, U. S.
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No. .....
IN THE

Supreme Court of the United States

October Term, 1980

KAREN J. SPEIRS and FIRST NATIONAL BANK OF NEVADA, successor Trustee for KAREN J. SPEIRS,

Petitioners,

vs.

BANK OF NEVADA and DIANE CRANDELL COULTHARD, coexecutors of the ESTATE OF GEORGE WILLIAM COULTHARD, Deceased,

Respondents.

ON APPEAL FROM THE SUPREME COURT OF THE STATE OF NEVADA.

PETITION FOR WRIT OF CERTIORARI.

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BANK OF NEVADA and DIANE CRANDELL COULTHARD, coexecutors of the ESTATE OF GEORGE WILLIAM COULTHARD, Deceased,

Respondents.

Questions for Review.

(1) Whether the Supreme Court of the State of Nevada denied Petitioners a fair hearing in a fair tribunal by failing to have a disinterested District Court Judge designated by the Governor of the State of Nevada sit in place of a partial Chief Justice as required by both the Constitution and statutes of the State of Nevada.

(2) Whether the Supreme Court of the State of Nevada denied Petitioners a fair hearing in a fair tribunal by failing to request the Governor to designate an entire new tribunal after a partial Chief Justice had participated in the proceedings which resulted in a reversal of the judgment of the trial court.

Parties to Proceedings.

The names of all parties to these proceedings are contained in the caption of the case.

TABLE OF CONTENTS

	Page
Questions for Review	i
Parties to Proceedings	i
Opinions Below	1
Jurisdiction	1
Statutes Involved	2
Statement of the Case	3
Reasons for Granting the Writ	8
Conclusion	16
Appendix A. Opinion of the Supreme Court of Nevada	App. p. 1
GUNDERSON, Justice, Dissenting	7
Order, Filed June 4, 1980. Petition for Rehearing Denied	8
Order, Filed July 3, 1980. Rehearing Denied	9

TABLE OF AUTHORITIES

Cases	Page
Frevert v. Swift, 19 Nev. 363 (1886)	10, 11
Hoff v. Eighth Judicial District Court of Nevada, 79 Nev. 108, 378 P.2d 977 (1963)	11
Murchison, In Re, 349 U.S. 133, 75 S.Ct. 623, 99 L.Ed. 942 (1955)	13, 14
Rollins v. Connor, 69 Atl. 777 (N.H., 1908)	11, 12
Constitutions	
Nevada Constitution, Art. Six, Sec. Four	2, 9
United States Constitution, Fourteenth Amendment	2, 8, 13
Statutes	
Nevada Revised Statutes, Sec. 1.225	6, 11
Nevada Revised Statutes, Sec. 1.225(5)	2, 6, 9, 13
Nevada Revised Statutes, Sec. 1.230	11
Nevada Revised Statutes, Sec. 1.255	8
Nevada Revised Statutes, Sec. 1.255(5)	8
United States Code, Title 28, Sec. 1257(3)	1, 12

PETITION FOR WRIT OF CERTIORARI.

To The Honorable Chief Justice and Associate Justices of The Supreme Court of The United States:

KAREN J. SPEIRS AND FIRST NATIONAL BANK OF NEVADA, successor Trustee for Karen J. Speirs, the Petitioners herein, pray that a Writ of Certiorari issue to review the Judgment of the Nevada Supreme Court entered in the above-entitled case on December 13, 1979, and the subsequent orders denying rehearing entered on June 4, 1980 and July 3, 1980.

Opinions Below.

(1) The Opinion of the Nevada Supreme Court is reported as 603 P.2d 1074 (1979) and is printed in Appendix A, attached hereto, *infra*, page 1. The unreported Order of the Nevada Supreme Court entered on June 4, 1980, denying the first Petition for Rehearing of Petitioners and wherein Chief Justice Mowbray removed himself from participating is printed in Appendix A, attached hereto, *infra*, page 8. The unreported Order of the Nevada Supreme Court entered on July 3, 1980, denying Petitioners second Petition for Rehearing and Respondents' first Petition for Rehearing is printed in Appendix A, attached hereto, *infra*, page 9.

Jurisdiction.

The Opinion and Judgment of the Nevada Supreme Court (Appendix A, *infra*, page 1) was entered on December 13, 1979. Two timely Petitions for Rehearing were filed by Petitioners and were denied on June 4, 1980 and July 3, 1980, respectively. (Appendix A, *infra*, pages 8 and 9.) The jurisdiction of the Supreme Court is invoked under 28 U.S.C. 1257 (3).

Statutes Involved.

The case involves the following statutes:

(1) The first section of the Fourteenth Amendment of the Constitution of the United States, which provides as follows :

> All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the state wherein they reside. No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

(2) Article Sixth, Section Four, of the Nevada Constitution, which provides, in part, as follows:

> In case of the disability or disqualification, for any cause, of the Chief Justice or one of the associate justices of the Supreme Court, or any two of them, the Governor is authorized and empowered to designate any district judge or judges to sit in the place or places of such disqualified or disabled justice or justices, and said judge or judges so designated shall receive their actual expense of travel and otherwise while sitting in the Supreme Court.

(3) Section 1.225 (5) of the Nevada Revised Statutes, which provides as follows:

> 5. Upon the disqualification of a justice of the Supreme Court pursuant to this section, a district judge shall be designated to sit in his place as provided in Section Four of Article Six of the Constitution of the State of Nevada.

Statement of the Case.

Consolidated appeals were taken from a judgment entered on December 29, 1977, by the Eighth Judicial District Court of the State of Nevada, in and for the County of Clark. The appeals to the Supreme Court of the State of Nevada were taken from a judgment imposing a constructive trust for the benefit of KAREN J. SPEIRS, Petitioner herein, upon a 12.5 percent interest in real property known as the Horseshoe Club Hotel & Casino in Las Vegas, Nevada, and money damages.

The trial court had determined that Respondent, GEORGE WILLIAM COULTHARD, during his lifetime had acted improperly in discharging his responsibilities as trustee for his daughter, Petitioner, KAREN J. SPEIRS, and impressed a constructive trust upon the mentioned interest in the Horseshoe Club which Coulthard had acquired in his own name and which the co-executors of his estate, Respondents BANK OF NEVADA and DIANE CRANDALL COULTHARD, now hold. The co-executors appealed from that determination. Petitioner SPEIRS and Petitioner FIRST NATIONAL BANK OF NEVADA, successor trustee for KAREN J. SPEIRS, also noticed an appeal from a portion of the judgment concerning money damages.

On December 13, 1979, the Supreme Court of the State of Nevada rendered its Decision reversing the trial court's decision and directing that judgment be entered in favor of Respondents BANK OF NEVADA and DIANE CRANDALL COULTHARD. The decision of the Nevada Supreme Court is reported at 603 P.2d 1074 (Nev., 1979), and a copy is included in the Appendix attached hereto at page 1, *infra*. The Decision of the court was authored by Justice Thompson, and concurred in by Chief Justice

Mowbray, and Justices Manoukian and Batjer. A dissenting opinion was rendered by Justice Gunderson.

On December 27, 1979, a Petition for Rehearing was filed on behalf of Petitioner SPEIRS. The Petition for Rehearing focused upon the failure of the court to render a decision in conformity with the facts as determined by the trial court, and its misapplication of the law as a consequence thereof. The petition further alleged that the Supreme Court proceeded to enter certain findings of fact which were directly contrary to the findings of the trial court, and as a result, violated the long-standing holdings of the court which held that if the evidence adduced in the trial court, though conflicting, can be read to support the findings of fact, then the appellate court must accept the trial court's determinations.

More importantly, in conjunction with Petitioner's Petition for Rehearing, a Motion to Disqualify Supreme Court Chief Justice John Mowbray was filed on January 3, 1980. The motion sought an order of the court disqualifying Chief Justice Mowbray from hearing the Petition for Rehearing on the grounds that his bias in favor of the Respondents herein precluded Petitioner SPEIRS from obtaining a fair and impartial hearing upon the Petition for Rehearing. This was the first and only such motion made by the Petitioner in the entire proceedings.

Together with the Motion to Disqualify, certain affidavits were submitted factually establishing the bias alleged on the part of Chief Justice Mowbray. The first was the affidavit of Petitioner SPEIRS who stated that Chief Justice Mowbray was a close and intimate friend of her father, G. WILLIAM COULTHARD, but that she was not aware that Chief Justice Mowbray was involved in the determination of the appeal until such time as she received a copy of the decision filed by the court on December 13, 1979. Her affidavit further

related that she had first met the Chief Justice when he had performed her wedding service at the residence of her father and his wife, Respondent, DIANE CRANDALL COULTHARD. At that time, Petitioner's father had informed her that the Chief Justice was performing the wedding ceremony at his request because they were good friends.

The second affidavit filed in support of Petitioner SPEIRS' Motion to Disqualify Chief Justice Mowbray was that of ELSIE HUSSEY, who was the executive secretary to Petitioner's father, G. WILLIAM COULTHARD, from 1952 until the time of Mr. Coulthard's death in 1972. Mrs. Hussey stated in her affidavit that during her twenty-year relationship with Mr. Coulthard, she was well-acquainted with Mr. Coulthard's personal affairs; that Mr. Coulthard knew Chief Justice Mowbray and the relationship was a warm and close one; that Mr. Coulthard and Chief Justice Mowbray were dear friends up to the time of Mr. Coulthard's death, and that the two saw each other socially on many occasions

On June 4, 1980, in response to the Motion to Disqualify, the Nevada Supreme Court entered an Order noting that Chief Justice Mowbray had voluntarily disqualified himself from participating in the resolution of the Petition for Rehearing, and thereby declared moot the Motion for Disqualification filed by Petitioner SPEIRS. Consequently, the Order denied the Petition for Rehearing. A copy of said Order of June 4, 1980, is included in the Appendix at page 8, *infra*.

On June 11, 1980, in response to the Nevada Supreme Court's Order of June 4, 1980, Petitioner SPEIRS again filed a Petition for Rehearing asking the court to reconsider the Order of June 4, 1980, on the following grounds:

> (1) That upon Chief Justice Mowbray having voluntarily declined to participate in a resolution of the

Petition for Rehearing in response to the Motion for Disqualification, the panel which heard said petition was jurisdictionally defective pursuant to Nevada Revised Statute 1.225(5) in that a district judge was not designated to sit in his place and stead; and

(2) That by virtue of Chief Justice Mowbray's voluntary disqualification, and the resulting implication of bias and partiality, the previous decision of the Nevada Supreme Court reversing the trial court judgment was void.

Additionally, Petitioner SPEIRS' second Petition for Rehearing relied heavily upon Nevada Revised Statute 1.225 which provides the grounds and procedure for disqualifying a justice of the Nevada Supreme Court. N.R.S. 1.225(5) provides as follows:

> Upon the disqualification of a justice of the Supreme Court pursuant to this section, a district judge *shall* be designated to sit in his place as provided in Section Four of Article Six of the Constitution of the State of Nevada. (Emphasis supplied).

In response to Petitioner SPEIRS' Motion to Disqualify, Chief Justice Mowbray voluntarily declined to participate. Consequently, it was mandatory for a district court judge to be designated to sit in his place and stead for the purpose of participating in the deliberations of the court in deciding the original Petition for Rehearing. Petitioner SPEIRS alleged that since this was not done, the court was denied the imput of a district judge as required by N.R.S. 1.225(5). Therefore, the Nevada Constitution, and statutory law enacted thereto, mandated the granting of the original Petition for Rehearing, which rehearing should include a district judge designated to sit in the place and stead of Chief Justice Mowbray, or in the alternative, an entire new panel, free from the appearance of bias and partiality, appointed to consider the merits of the original Petition for Rehearing.

On July 3, 1980, an Order was entered by the Supreme Court of the State of Nevada denying Petitioner SPEIRS' second Petition for Rehearing. A copy of said Order is included in the Appendix at page 9, *infra*. Said Order was signed by Justice Thompson, Manoukian and Batjer. Following the entry of this Order, and on July 11, 1980, a final remittitur was directed to the lower court. This Petition for Writ of Certiorari was submitted praying that this Honorable Court issue said Writ to review the Judgment of the Supreme Court of Nevada denying Petitioner SPEIRS' Petitions for Rehearing.

REASONS FOR GRANTING THE WRIT.

Initially, this action was concerned with far-reaching principles of trust law and the duties and obligations of fiduciaries that arise from the application of those principles. Without asking this Honorable Court to undertake to examine the merits of the underlying action itself, Petitioner SPEIRS would respectfully note, however, that the decision of the Supreme Court of Nevada reported at 603 P.2d 1074 (Nev., 1979) established a new and dangerous principle of trust law by holding that if a trust agreement allows the trustee discretion in investing in properties of the trustee's choosing, the trustee is exonerated as a matter of law from being held responsible for any mistakes or breaches of his fiduciary duties. Moreover, the impact of this decision is substantial; this action involves millions of dollars worth of hotel and casino property in Las Vegas, Nevada, and thus the final resolution will have a tremendous effect on the immediate parties hereto and the community at large.

Yet, it is not the underlying merits of Petitioner SPEIRS' claim which she now seeks this court to review; to the contrary, it is the *manner and procedures* which the Supreme Court of Nevada utilized in rendering its decision that Petitioner now questions. It is the Petitioner's contention that in ruling on her Petitions for Rehearing, the Supreme Court of Nevada failed to conform its procedures to the mandates of the Nevada Constitution and Nevada Revised Statute 1.255(5) enacted pursuant thereto, and thus denied Petitioner substantial property rights without due process of law in violation of the Fourteenth Amendment of the Constitution of the United States.

In 1957, the Nevada Legislature enacted N.R.S. 1.255 to clarify the grounds and procedure for disqualifying Su-

preme Court justices. The relevant provisions of that statute are as follows:

> (1) A justice of the Supreme Court shall not act as such in an action or proceeding when he entertains actual bias or prejudice for or against one of the parties to the action. . . .
>
> (3) A justice of the Supreme Court, upon his own motion, may disqualify himself from acting in any matter upon the ground of actual or implied bias.
>
> (4) Any party to an action or proceeding seeking to disqualify a justice of the Supreme Court for actual or implied bias shall file a charge in writing, specifying the facts upon which such disqualification it sought. Hearing on such charge shall be had before the other justices of the Supreme Court.
>
> (5) Upon the disqualification of a justice of the Supreme Court pursuant to this section, *a district judge shall be designated to sit in his place as provided in Section Four of Article Six of the Constitution of the State of Nevada*. (Emphasis supplied)

In the event of a disqualification of a Supreme Court justice, the procedure set forth in N.R.S. 1.225(5) must be followed. In the instant case, this was not done. In response to Petitioner's Motion for Disqualification, Chief Justice Mowbray of the Nevada Supreme Court declined to participate in the resolution of the Petition for Rehearing. Subsequently, no district judge was designated by the Governor to sit in his place and stead; rather, an Order was entered by three justices of the Supreme Court denying the Petition for Rehearing. As a result, this three-justice panel which heard the Petition was jurisdictionally and constitutionally defective.

Petitioner would respectfully submit that as a result of the failure of the Nevada Supreme Court to conform with the constitutional and statutory provisions afforded litigants

in the courts of the State of Nevada, there are two alternative remedies available to cure the defects inherent in the state proceedings. They are as follows:

1. That a district judge of the State of Nevada be designated to sit in the place and stead of Chief Justice Mowbray to hear and consider the merits of Petitioner's original Petition for Rehearing; or

2. That by virtue of Chief Justice Mowbray's voluntary disqualification, and the implied bias and partiality which that disqualification establishes, it must be concluded that the previous decision of the Nevada Supreme Court reversing the trial court judgment was tainted by such bias and partiality rendering the decision void; consequently, an entire new panel of judges should be designated to hear and consider Petitioner's original Petition for Rehearing, which would effectively remove all possible questions of impropriety and partiality.

When Chief Justice Mowbray voluntarily disqualified himself from considering the Petition for Rehearing, it was mandatory for a district court judge to be designated to sit in his place for the purpose of participating in the deliberations of the court in deciding the Petition for Rehearing. Further, it may very well have been incumbent upon the court to recognize the implications of impropriety which arose from that disqualification and thus take it upon itself to see that an entire new panel of judges was designated to hear and consider the merits of Petitioner's original Petition for Rehearing; instead, three justices summarily denied the Petition for Rehearing in their Order of July 3, 1980.

Indeed, the Nevada Supreme Court itself has in the past been faced with determining the effect of decisions made by a judge who was disqualified himself during the proceedings. In *Frevert v. Swift*, 19 Nev. 363 (1886), the Nevada Supreme Court held that the actions of a judge

involving the exercise of judicial discretion in a case where he is disqualified from acting are void, and are not merely voidable. At 19 Nev. 364, in discussing this proposition, the Court stated:

> At common law, any action upon the part of a judge interested in the cause was regarded as an error with irregularity to be corrected by a reversal of his judgment; but the general effect of the statutory prohibitions in the several states is undoubtedly to change the rule of the common law so far as to render those acts of a judge involving the exercise of judicial discretion, in a case wherein he is disqualified from acting, not merely voidable, but void.

Subsequently, in *Hoff v. Eighth Judicial District Court of the State of Nevada*, 79 Nev. 108, 378 P.2d 977 (1963), the Nevada Supreme Court affirmed the rule in *Frevert* and in citing N.R.S. 1.230 (in most part analogous to N.R.S. 1.225) stated at 378 P.2d 978:

> That the actions of a district judge, disqualified by statute, are not voidable merely, but void, has long been the rule in this state. . . .

In *Rollins v. Connor*, 69 Atl. 777 (N.H., 1908), the New Hampshire Supreme Court reversed the decision of a governmental council in which a member of the council was disqualified after his participation in the decision. The court discounted the fact that disregarding the vote of the disqualified member would have still found a majority in favor of the action. At 69 Atl. 778, the court explained its position:

> . . . but the validity of action in which an interested member takes part, when without his vote there was a regular majority in support of the action taken, was not presented or considered, but despite the Illinois case above-cited it is clear upon reason and authority that judicial action by a tribunal, one of whose members

> is disqualified to act, is voidable if the disqualified member participates therein, without reference to the fact whether the result is produced by his vote. The preliminary question whether the tribunal is properly constituted is a question which must be answered in the affirmative before there can be a decision. . . .
>
> The lack of impartiality in the tribunal arises from the participation in the proceedings as a coordinate member of the tribunal of the person disqualified to act therein, and not merely from the fact that the decision is produced from the numerical effect of his vote. The influence a party in that position might have upon the decision of his associates cannot be estimated . . . it does not appear that the plaintiff had an opportunity to object to Bruen's acting in the matter as a member of the council or that he has waived his right to object upon that ground. . . .

It should be noted that in *Rollins v. Connor*, the court found that the decision of the tribunal was voidable. In the State of Nevada, the Supreme Court has held that any decision made by a disqualified jurist is void. This reasoning is applicable to the case at bar, especially in view of the fact that the need for the Motion to Disqualify did not become apparent until after the initial decision of the Nevada Supreme Court was entered, and Petitioner SPEIRS first became aware that Chief Justice Mowbray had participated therein.

The necessity for this Petition for Writ of Certiorari arises from the fact that the Nevada Supreme Court failed and refused to correct the constitutional and statutory violation which occurred in the course of its proceedings. Accordingly, this case fails within the scope of 28 U.S.C. §1257 (3), which provides that a final judgment rendered by the highest court of a state in which a decision could be had, may be reviewed by the United States Supreme Court by

Writ of Certiorari, where any right, privilege or immunity is claimed under the Constitution of the United States. The obvious reluctance of the Nevada Supreme Court to conform its procedures to the mandates of the Nevada Constitution, and N.R.S. 1.225(5) enacted pursuant thereto, thereby deprived Petitioner SPEIRS of her right to be accorded the due process of law to which she is entitled under the Fourteenth Amendment to the Constitution of the United States.

This Court has consistently held that a fair trial and a fair tribunal is a basic requirement of due process. Moreover, a fair trial, as required by due process, requires not only an absence of actual bias on the part of the judge, but also that no man be a judge in his own case or try cases where he has an interest in the outcome. As was stated *In Re Murchison*, 349 U.S. 133, 75 S.Ct. 623, 99 L.Ed. 942 (1955):

> A fair trial and a fair tribunal is a basic requirement of due process. Fairness of course requires absence of actual bias in the trial of cases. But our system of law has always endeavored to prevent even the probability of unfairness. To this end no man can be a judge in own case and no man is permitted to try cases where he has an interest in the outcome. That interest cannot be defined with precision. Circumstances and relationships must be considered. This court has said, however, that 'every procedure which would offer a possible temptation to the average man as a judge . . . not to hold the balance nice, clear and true between the state and the accused, denies the latter due process of law.' *Tumey v. Ohio*, 273 U.S. 510, 532, 47 S.Ct. 437, 71 L.Ed. 749. Such a stringent rule may sometimes bar trial by judges who have no actual bias and who would do their very best to weigh the scales of justice equally between contending parties. But to perform its high function in the best way 'justice must satisfy the ap-

> pearance of justice.' *Offutt v. United States*, 348 U.S. 11, 75 S.Ct. 11, 99 L.Ed. 11. (349 U.S. at 136).

In Re Murchison, and the cases cited therein, are examples of the efforts which this Court has undertaken in its attempt to protect and preserve the sanctity of the judicial process. By insisting that the fair trial element of due process requires that there not only be an absence of actual bias on the part of the judge, but also that no man be a judge where he has an interest in the outcome of the proceedings, this Court, and other diligent courts throughout the nation, have made substantial progress toward insuring that the form *and* substance of due process of law is accorded each and every litigant confronted with the necessity of preserving their rights through the judicial system.

To condone the constitutionally and statutorily defective procedures utilized by the Nevada Supreme Court would perpetrate not only a grave injustice upon the Petitioners herein, but in the long run seriously jeopardize the confidence and trust which society reposes in the judicial system. To allow the actions of the Nevada Supreme Court to go uncorrected, in the face of an admission by a justice thereof that he was biased and partial but nonetheless participated in the determination of the original decision, would imperil the belief of litigants in general that judges will do their very best to weigh the scales of justice equally between contending parties. To permit the Nevada Supreme Court to flaunt and disregard the will of its constituents as expressed in the Nevada Constitution, and the statutes enacted by the Nevada Legislature pursuant thereto, will unfortunately but inevitably allow the highest court of the State of Nevada to presume that justice need not always satisfy the appearance of justice.

Undoubtedly, the effect of the action of the Nevada Supreme Court has been extremely prejudicial to the Petition-

ers in this case. More importantly, however, to sustain those actions may very well allow the state court to continue to deny substantive rights in the future without granting a fair and unbiased consideration of the claims of litigants. To avoid this tragic possibility, the State of Nevada has enacted stringent procedural rules which reflect the important interests of the courts and litigants that a familiar, uniform and effective procedure is essential to the proper functioning of judicial administration. These rules seek to place a limit on the scope of the independence allowed to state tribunals. These limits are grounded in the specific state and federal concerns for protecting litigants from the deprivation of substantial rights without due process of law.

The deepest of these state and federal concerns for due process of law are found in the cases that establish a duty upon the state to provide a fair and impartial forum for the examination of the legitimate and substantial claims of litigants. This Court has consistently declared that the requirement of due process of law for a fair and impartial forum cannot be evaded or avoided by the type of summary action which occurred in this case.

The effect of the Nevada Supreme Court's refusal to provide a fair and impartial environment for the examination of the Petitioner's claim was to work an extreme hardship on her, especially in view of the fact that Petitioners prevailed on the merits in a lower court. This does not mean to say that after a rehearing on the merits that Petitioners would prevail; on the contrary, it is merely the Petitioner's position that she is entitled to a full consideration and reexamination of the merits of her petition for Rehearing before a tribunal that is free from actual bias or even the appearance of partiality. By so doing, this Honorable Court will have fulfilled its obligation to provide a full and fair

opportunity to the Petitioner to present her case, and thereby achieve significant progress toward restoring the confidence of litigants in their judicial system.

Conclusion.

For the foregoing reasons, this Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

WIENER, WALDMAN & GORDON, LTD.,

BY LOUIS WIENER, JR.,

Attorneys for Appellants.

APPENDIX A.

Opinion.

Bank of Nevada and Diane Crandell Coulthard, coexecutors of the Estate of George William Coulthard, Deceased, Appellants, v. Karen J. Speirs and First National Bank of Nevada, successor Trustee for Karen J. Speirs, Respondents. First National Bank of Nevada, successor Trustee for Karen J. Speirs, Appellant, v. Bank of Nevada and Diane Crandall Coulthard, coexecutors of the Estate of George William Coulthard, Deceased, Respondents.

Nos. 10473, 10474.

Supreme Court of Nevada. Dec. 13, 1979.

John Peter Lee, Ltd., Las Vegas for Bank of Nevada and Diane Crandall Coulthard.

Weiner, Goldwater & Waldman, Ltd., and Gerald M. Gordon, Las Vegas, for Karen J. Speirs and First National Bank of Nevada.

THOMPSON, Justice:

These consolidated appeals are taken from a judgment imposing a constructive trust for the benefit of Karen J. Speirs upon a 12.5-percent interest in real property known as the Horseshoe Club Hotel and Casino in Las Vegas and, as well, money damages. The district court determined that George William Coulthard during his lifetime had acted improperly in discharging his responsibilities as trustee for his daughter, Karen J. Speirs, and impressed a constructive trust upon the mentioned interest in the Horseshoe Club which Coulthard had acquired in his own name and which the coexecutors of his estate, the Bank of Nevada and Diane Crandall Coulthard now hold. The coexecutors have appealed from that determination. Karen J. Speirs and the First National Bank also have noticed an appeal from a portion

of the judgment concerning money damages. We turn first to recite relevant facts.

At one time, Lena Silvagni Coulthard was the wife of George William Coulthard. Karen J. Speirs was their daughter. Lena's last will bequeathed one half of her stock in Silvagni Estate Co. which owned the Horseshoe building and land to G. William Coulthard, and the other one half to G. William Coulthard in trust for Karen. Lena died July 15, 1955. G. William Coulthard was appointed executor of her estate. An order was entered in the estate proceeding distributing a certificate for 12,500 shares of Silvagni Estate Co., 6.25-percent of the stock of that corporation, to G. William Coulthard individually, and a like amount to him as trustee for Karen J. Speirs (then Karen J. Coulthard).

The trust instrument directed Coulthard as trustee to use the corpus of the trust for the care, education, welfare and maintenance of Karen, and at his direction to use both the income and corpus for such purposes. The trustee was empowered "to buy, sell and invest with regard to the corpus of this trust, in whatever manner seems to him to be best, and I specifically provide that he may invest the same in whatever property or properties, real or personal, stocks, bonds, or evidences of indebtedenss, at his choosing." The trust was to terminate when Karen became twenty-five years old.

The Silvagni Estate Co. owned in fee simple the land referred to as the Horseshoe Properties. After Lena's death the stockholders of that company were Michael Silvagni, Victor Silvagni, Olga Silvagni, G. William Coulthard, and G. William Coulthard as trustee for Karen. In April 1961 those stockholders entered into an agreement to dissolve the corporation and distribute the Horseshoe Properties to themselves as tenants in common in the proportion that their stockholdings bore to the total stock issued. Pursuant to that

agreement Coulthard individually received a 6.25-percent undivided interest in the Horseshoe Properties and a 6.25-percent undivided interest as trustee for Karen. The agreement also contained a right of first refusal which required the party desiring to sell to "first offer his or her interest to the remaining parties to this agreement at no greater a price or more stringent terms than he or she is offered by a bona fide buyer not a party to this agreement."

In 1962, 1965 and 1967, Coulthard purchased for himself additional interests in the Horseshoe Properties. The 1962 purchase was for a 12.5-percent interest from Michael Silvagni for $250,000. The 1965 purchase was for a 7.5-percent interest from Michael Silvagni for $375,999, and the 1967 purchase was for a 5-percent interest from Victor Silvagni for $165,000. These purchases were financed through loans from the Bank of Las Vegas.

It is the contention of Karen Speirs and of First National Bank, the successor trustee for Karen, that Coulthard should have purchased one half (12.5-percent) of such additional interests in the Horseshoe Properties for the trust. The district court agreed.

Coulthard purchased five Iowa farms for the trust, one in 1961, one in 1965 and three in 1968. The acquisition price was approximately $243,146. Coulthard died on July 25, 1972. After his death, but prior to termination of the trust, Karen sold the farms for a substantially higher sum. These sales occurred in 1974. Karen and the First National Bank contend that the acquisition of Iowa farmland was an improvident investment. The district court also agreed with this contention. For reasons hereafter expressed we reverse the judgment below, since, in our view, G. William Coulthard did not breach his duty as the testamentary trustee of the trust established for Karen.

1. A testamentary trustee is a fiduciary who must act in good faith and with fidelity to the beneficiary of the trust. He should not place himself in a position where it would be for his own benefit to violate his duty to the beneficiary.

We are here concerned with a family arrangement. In establishing the testamentary trust for the benefit of Karen, Lena Silvagni Coulthard invested G. William Coulthard, her husband and Karen's father, with complete discretion as to investing the trust corpus. She specifically provided that "he may invest the same in whatever property or properties, real or personal, stocks, bonds, or evidence of indebtedness, at his choosing." This broad grant of authority, this testamentary exoneration of the trustee for mistakes, if any, must be accorded respect by a court. This would seem especially true in a family setting where it is apparent that the wife-mother wanted the husband-father to have absolute control of the trust established for the benefit of their daughter, knowing that he would act with love and care.

Wholly apart from the testamentary forgiveness of trustee liability for investments, we perceive no wrongdoing by G. William Coulthard in the discharge of his duties as trustee. Before himself borrowing money to acquire additional interests in the Horseshoe Properties he asked an investment expert whether he should purchase such additional interests for the trust, and was advised not to do so. The major asset of the trust was the Horseshoe Properties interest. The expert advised him to diversify the trust investments rather than to risk having the value of the trust corpus depend upon the the strength of the gaming economy in Nevada which, during the years in question, was in a state of fluctuation. Moreover, the trust would have to borrow substantial sums of money if it were to acquire such additional interests in the Horseshoe Properties, and the expert strongly advised against such a course of action. In

these circumstances we do not fault Coulthard for declining to purchase for the trust.

This aside, it is the position of Karen and the First National Bank that once Coulthard decided to purchase additional interests in the Horseshoe Properties for himself, he was legally obliged to purchase one half thereof for the trust, notwithstanding expert advice that it was a poor investment for the trust. We are not at all persuaded by this contention, and find no case supporting it in a similar factual context.

The rule that a fiduciary owes a primary duty to protect his trust was not violated by Coulthard. It is not per se improper to disturb the equal interests of the trust and the trustee. *Anderson v. Bean*, 272 Mass. 432, 172 N.E. 647 (1930). There, the court observed that the disturbance of the equal balance of holdings of stock by the trust and by the trustees as an individual is not, as a matter of law, apart from other circumstances, an unconscionable advantage or disadvantage.

The other circumstances here present do not suggest any impropriety on the part of Coulthard. He was advised against purchasing the additional interests for the trust and followed that advice. No loss was occasioned to the beneficiary, Karen, by Coulthard's individual acquisition of a greater interest in the Horseshoe Properties. Indeed, by his last will, Karen and Coulthard's children by his second marriage to Diane Crandall Coulthard inherit equal portions of his property including the additional Horseshoe interests. The fortuitous circumstance that the Horseshoe Properties have substantially increased in value has inured to Karen's benefit as well as to the benefit of other heirs.

As we see it, the fault with the decision below is its acceptance of the proposition that it is per se improper to

disturb the equal interests of the trust and the trustee. The court did not find that Coulthard had acted in bad faith or fraudulently. Rather, it found, in substance, that had he acquired one half of the additional Horseshoe Properties for the trust, Karen would have benefited. This finding necessarily rests upon hindsight, and gives no credence whatsoever to the expert advice which Coulthard, in good faith, sought and followed. Neither does it properly acknowledge the complete discretion granted him with regard to trust investments.

Finally, we note that the testatrix, Lena Silvagni Coulthard, created the possibility of a conflict between the trust and the trustee by her last will distributing equal interests in the Horseshoe Properties to them. In these circumstances, an absolute limitation against self-dealing on the part of the trustee is modified, and the trustee will not be penalized when he has acted in good faith and in a manner he believes was for the best interest of the trust. *In re Steele's Estate*, 377 Pa. 250, 103 A.2d 409 (1954).

2. The purchases of the Iowa farms for the trust also were within the broad investment authority given Coulthard by the trust instrument. This precludes any liability on the part of his estate.

3. The appeal by Karen and the First National Bank is in regard to the manner in which the district court computed damages due them. Since the ruling as to damages rests upon the premise that Coulthard acted improperly in discharging his duties as trustee for Karen, and since we have determined that ruling to be improper, it is apparent that there can be no damage award in any amount.

4. Other assigned errors have been considered and are without merit.

The judgment below in favor of Karen J. Speirs and First National Bank of Nevada is reversed, and the cause is remanded with direction to enter judgment in favor of Bank of Nevada and Diane Crandall Coulthard.

MOWBRAY, C. J., and MANOUKIAN and BATJER, JJ., concur.

GUNDERSON, Justice, dissenting:

I respectfully disagree with the majority opinion insofar as it declares the trustee free to take trust instrument advantages entirely for himself.

ORDER.

In The Supreme Court of the State of Nevada.

Bank of Nevada and Diane Crandall Coulthard, co-executors of the Estate of George William Coulthard, deceased, Appellants, vs. Karen J. Speirs and First National Bank of Nevada, successor Trustee for Karen J. Speirs, Respondents. No. 10473.

First National Bank of Nevada, successor Trustee for Karen J. Speirs, Appellant, vs. Bank of Nevada and Diane Crandall Coulthard, co-executors of the Estate of George William Coulthard, deceased, Respondents. No. 10474.

Filed: June 4, 1980.

Chief Justice Mowbray has voluntarily declined to participate in the resolution of this petition for rehearing, rendering moot the motion for disqualification filed by respondent Karen Speirs and First National Bank of Nevada.

The petition for rehearing is hereby denied. NRAP 40(c)).

It is so ORDERED.

/s/ Thompson, J.
Thompson
/s/ Manoukian, J.
Manoukian
/s/ Batjer, J.
Batjer

cc: John Peter Lee, Ltd., and
James C. Mahan, Esq.
Messrs. Wiener, Goldwater & Waldman, and
Gerald M. Gordon, Esq.

ORDER.

In The Supreme Court of the State of Nevada.

Bank of Nevada and Diane Crandall Coulthard, co-executors of the Estate of George William Coulthard, deceased, Appellants, vs. Karen J. Speirs and First National Bank of Nevada, successor Trustee for Karen J. Speirs, Respondents. No. 10473.

First National Bank of Nevada, successor Trustee for Karen J. Speirs, Appellant, vs. Bank of Nevada and Diane Crandall Coulthard, co-executors of the Estate of George William Coulthard, deceased, Respondents. No. 10474.

Filed: July 3, 1980

Rehearing denied.

It is so ORDERED.

/s/ Thompson, J.
Thompson
/s/ Manoukian, J.
Manoukian
/s/ Batjer, J.
Batjer

cc: John Peter Lee, Ltd.
Wiener, Waldman & Gordon, Ltd.